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FEDERAL COMMUNICATIONS COMMISSION
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Ex Parte

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
445 12th St., N.W. - The Portals
Washington, D.C. 20554

Re: CPE/Enhanced Services Unbundling Rules – CC Docket Nos. 96-61 & 98-183

Dear Ms. Salas:

Please be advised that on January 13, 2000, on behalf of Bell Atlantic, Larry Katz, Joe LaPorta, and I met with Jodie Donovan-May, Jake Jennings, and Bill Sharkey of the Policy and Program Planning Division to discuss the above captioned proceeding. The meeting focused on Bell Atlantic's position in the proceeding as detailed in its comments filed in the proceeding and in the attached document.

In addition to the points outlined in the attachment, Bell Atlantic elaborated on whether elimination of the bundling restriction would require additional safeguards beyond those that already exist. Specifically, Bell Atlantic pointed out that it would still be subject to the existing safeguards in Computer Inquiries II and III and in section 251 of the Act, including those relating to network disclosure, and that these requirements provide all of the needed protections. Bell Atlantic also urged the Commission to require carriers to continue to make the underlying telecommunications services available, unbundled from CPE and information services, and that those services continue to be tariffed in those instances where the applicable regulatory body requires tariffing. This will alleviate concerns about cross-subsidies and ensure that the proper amounts are paid into the universal service fund.

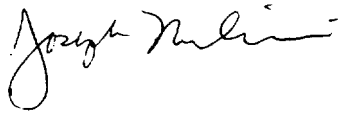
Bell Atlantic also pointed out that, for new services and technologies, the need for a customer to invest in CPE acts as a barrier to widespread use of that service. Examples mentioned were xDSL (modems) and ISDN (specialized telephones) services, and various forms of Caller ID (display unit), all of which require specialized CPE for their use. Given the rapid pace of technology, it can be expected that new services offered in the future will likewise require specialized CPE for their successful use. Unless a customer can obtain a bundle which includes discounted CPE along the underlying service, that customer may not be willing to advance the money needed to obtain the specialized CPE and will, therefore, not subscribe to the service. Similarly, where telecommunications and information services are intertwined, as in the case of Internet access and

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xDSL, the ability to provide a discounted bundle can be a major selling tool in promoting of both services. In each case, competitors can attempt to differentiate their services on the basis of the bundles they offer, and this will promote competitive choice.

Should you have any questions, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script, appearing to read "Joseph M. Lin".

Attachment

Cc: J. Donovan-May
J. Jennings
W. Sharkey

**Bell Atlantic Ex Parte
CPE/Enhanced Services Unbundling Rules -
CC Docket Nos. 96-61 & 98-183
1/13/00**

POLICY REASONS FOR REMOVING BUNDLING RESTRICTIONS

- Existing bundling restrictions are unnecessary to protect competition and add an additional layer of regulation that raises costs and impedes the introduction of new services and technologies
- The wireless market model, where bundling has been allowed for 8 years, provides a successful blueprint for the Commission to follow
 - The Commission based its bundling decision only on the level of CPE and Enhanced Services competition – the cellular market was a *de jure* duopoly
 - Since bundling was allowed, the wireless subscriber base has tripled, prices have plummeted, and the number of suppliers has grown sharply
- The wireline market is far more competitive than the wireless market was in 1992
 - Hundreds of competitors have entered the local wireline market, with new competitive announcements daily
 - The largest IXC's are competing locally (e.g., AT&T, MCI WorldCom)
 - Entrenched cable monopolies, led by AT&T, dominate the broadband market (80-90%) used for Internet access
 - Additionally, Section 251 and other statutory and regulatory requirements guarantee continued competitive growth
- As with wireless, allowing bundling and discount package pricing for wireline will likewise benefit the public
- Allowing bundling will also promote deployment of advanced services
 - Many advanced services require specialized CPE and are primarily used for Internet access
 - By Bundling CPE and information services with advanced services, entry costs to consumers will be reduced
 - This will stimulate consumer demand for advanced services and for internet access

CONSUMER BENEFITS

- **Lower price for package of services and convenience of one-stop shopping**
 - **Bundling makes it easier for consumers to initiate service by avoiding the need to shop separately for interrelated services and equipment and to obtain the lowest prices**
- **More choice**
 - **Lower prices will stimulate demand, encourage competitive entry, increasing consumer choice and reducing prices even more**

REGULATORY CONSIDERATIONS

- **Bundling restriction provide no public interest**
- **No history whatsoever of RBOC discriminatory behavior or other violations in CPE or information services marketplace**
- **Existing network disclosure rules are explicit and enforceable (AT&T wants right to use proprietary interfaces which would harm competition)**
- **Revenue allocation concern for USF is a non-issue; telecommunications revenues will still reflect tariffed rates**